

MARKET CONDUCT EXAMINATION

COMMONWEALTH INSURANCE COMPANY OF AMERICA

**1700 SEVENTH AVENUE
SEATTLE, WASHINGTON 98124**

January 1, 2003 through December 31, 2003



Commonwealth Insurance Company
of America
Order No. 05-4
Exhibit A

TABLE OF CONTENTS

Section	Page
Table of Contents	2
Salutation	3
Chief Examiner's Report Certification	4
Foreword and Scope	5
Sampling Standards	5
Company History and Operations	7
General Examination Findings	7
Agent Activities	8
Complaints	9
Underwriting and Rating	9
Rate and Form Filings	10
Cancellations and Non-Renewals	11
Claims Settlement Practices	12
Summary of Standards	14
Instructions and Recommendations	19
Appendices	20

The Honorable Mike Kreidler
Washington State Insurance Commissioner
PO Box 40255
Olympia, Washington 98504

Dear Commissioner Kreidler:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010 and procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the Office of the Insurance Commissioner (OIC), an examination of the market conduct affairs has been performed on the following company:

Commonwealth Insurance Company of America NAIC #10220

In this report, the above entity is also referred to as the Company. This examination is respectfully submitted.

CHIEF EXAMINER'S REPORT CERTIFICATION

This examination was conducted in accordance with Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. Sally Anne Carpenter, AIE, AIC and Shirley M. Merrill of the Washington State Office of the Insurance Commissioner performed this examination and participated in the preparation of this report.

The examiners wish to express appreciation for the courtesy and cooperation extended by the personnel of the Commonwealth Insurance Company of America during the course of this market conduct examination, and particularly acknowledges the efforts of those people who provided daily support to the examiners.

I certify that this document is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Leslie A. Krier, AIE, FLMI
Chief Market Conduct Examiner
Office of the Insurance Commissioner
State of Washington

FOREWORD

This examination was completed by applying tests to each examination standard. Each test applied during the examination is stated in this report and the results are reported. Exceptions are noted as part of the comments for the applied test. Throughout the report, where cited, RCW refers to the Revised Code of Washington, and WAC refers to Washington Administrative Code.

SCOPE

Time Frame

The examination covered the Company's operations from January 1, 2003 through December 31, 2003. The examination was performed in the Company's home office in Seattle Washington, the claims office in Vancouver, British Columbia, and in the Seattle Office of the Insurance Commissioner.

Matters Examined

The examination included the following areas:

Agent Activities
Complaints
Underwriting and Rating
Rate & Form Filings
Cancellations and Non-Renewals
Claim Settlement Practices

SAMPLING STANDARDS

Methodology

In general, the sample for each test utilized in this examination falls within the following guidelines:

92%	Confidence Level
+/- 5%	Mathematical Tolerance

These are the guidelines prescribed by the National Association of Insurance Commissioners in the Market Conduct Examiners Handbook.

Regulatory Standards

Samples are tested for compliance with standards established by the Office of the Insurance Commissioner. The tests applied to sampled data will result in an error ratio which determines whether or not a standard is met. If the error ratio found in the sample is, generally, less than 5%, the standard will be considered as 'met'. The standard in the area of agent licensing and appointment will not be met if any violation is identified. The

standard in the area of filed rates and forms will not be met if any violation is identified. This will also apply when all records are examined, in lieu of a sample.

For those standards which look for the existence of written procedures or a process to be in place, the standard will be met based on the examiner's analysis of those procedures or processes. The analysis will include a determination of whether or not the company follows established procedures.

Standards will be reported as Passed without Comment, Passed with Comment or Failed. The definition of each category follows.

Passed without Comment:	There were no adverse findings for the standard.
Passed with Comment:	The records reviewed fell within the tolerance level for the standard.
Failed:	The records reviewed fell outside of the tolerance level established for the standard.
Not Applicable	The standard is not applicable to this examination.

COMPANY HISTORY AND OPERATIONS

Company Name	Domiciled State	Incorporation Date	Date Admitted to WA
Commonwealth Insurance Company of America	Washington	January 13, 1995	January 13, 1995

The Company was incorporated under the laws of Washington on January 13, 1995 and commenced business on July 1, 1995. The Company, which is based in Seattle, Washington, is wholly owned by Commonwealth Insurance Company, a Canadian company.

This is the first Market Conduct Examination of Commonwealth Insurance Company of America. The Company wrote the following lines of business in Washington during the exam period January 1, 2003 through December 31, 2004:

inland marine including difference in conditions
ocean marine
major commercial property and industrial risks.

At the present time the Company is licensed but does not underwrite commercial general liability risks.

Ronald G. Schwab is President and Chief Executive Officer.

The following Operations and Management Standard Passed without Comment:

#	OPERATIONS AND MANAGEMENT STANDARD	REFERENCE
1	The company is required to be registered with the OIC prior to acting as an insurance company in the State of Washington.	RCW 48.05.030(1)
2	The company is required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding companies.	RCW 48.07.070

GENERAL EXAMINATION FINDINGS

The following General Examination Standards Passed without Comment:

#	GENERAL EXAMINATION STANDARD	REFERENCE
1	All requested information was made available to the examiners, and the company otherwise facilitated the examination in a timely manner.	RCW 48.03.030(1)
3	The company maintains full and accurate records and accounts.	RCW 48.05.280
4	The company filed an antifraud plan with the OIC.	RCW 48.30A.045, RCW 48.30A.060

The following General Examination Standard Failed:

#	GENERAL EXAMINATION STANDARD	REFERENCE
2	The company does business in its own legal name.	RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06

Standard #2: Thirty two (32) claim files and one (1) policy contained documents and correspondence that did not identify the insuring company. See Appendix 1 for details.

Subsequent event: The Company changed claims correspondence templates to correctly identify the insuring Company. The Company also sent a training memo to claims personnel regarding the use of the Company's legal name while the examiners were on site. The Company also sent a notice to brokers advising of the need to use the Company's legal name.

AGENT ACTIVITIES

The Company does not have any appointed agents. All business is conducted with brokers. Files reviewed indicated that the Company billed only for the premium, and that all fees were handled directly between the broker and the insured.

Findings

All brokers reviewed by the examiners were licensed in Washington.

The following Agent Activity Standards Passed without Comment:

#	AGENT ACTIVITY STANDARD	REFERENCE
1	The company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the company in any way.	RCW 48.17.060(1)(2)
2	The company must require that agents/agencies are appointed to represent the company prior to allowing agents/agencies to solicit business on behalf of the company.	RCW 48.17.160(1)(2), WAC 284-17-420
3	The company must notify the OIC when an agent's appointment is revoked.	RCW 48.17.160(3)
4	The company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract.	RCW 48.17.591(2)

COMPLAINTS

There were no complaints filed with the Office of the Insurance Commissioner during the period January 1, 2002 to present.

Findings

The examiners had no findings in this area.

The following Compliant Standard Passed without Comment:

#	COMPLAINT STANDARD	REFERENCE
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication.	WAC 284-30-650, WAC 284-30-360(2), Technical Assistance Advisory T 98-4

UNDERWRITING AND RATING

The examiners selected a sample of 50 policies of the 334 policies that were either newly issued or renewed during the exam period. Files were reviewed to determine if the Company:

- followed the filed rating plans
- followed the underwriting rules
- were in compliance with Washington laws

Findings

Underwriting Standards #9 and #10 apply to personal lines only, therefore are not applicable to this examination of the Company commercial activities.

The following Underwriting Standards Passed without Comment:

#	UNDERWRITING STANDARD	REFERENCE
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter and shall identify the company providing the coverage and effective dates.	RCW 48.18.230(1), WAC 284-30-560
2	The company requires an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing.	RCW 48.22.030(3)(4)
3	The company requires an insured to reject Personal Injury Protection (PIP) coverage in writing.	RCW 48.22.085(2)
4	During underwriting, the company uses only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for	RCW 46.52.130, RCW 48.30.310, Bulletin 79-3,

#	UNDERWRITING STANDARD	REFERENCE
	commercial insurance.	WAC 308-104-145
5	The company applies schedule rating plans to all policies as applicable in its filing and retains documentation and analysis to support the company's decision.	WAC 284-24-100
6	The company retains documentation related to the development and use of (a) rates.	WAC 284-24-070
7	The company may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage.	WAC 284-30-574
8	Binders must identify the insurer which is bound by the form.	WAC 284-30-560(2)(a)

RATE AND FORM FILINGS

The examiners selected forms that were attached to the new and renewal policies used in the Underwriting sample for the rate and form filings review. The purpose was to determine if the Company was complying with the laws regarding the filing and use of rates and forms.

Findings

The following Rate and Form Filing Standards Passed without Comment:

#	RATE AND FORM STANDARD	REFERENCE
2	Where required, the company has filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing then in effect.	RCW 48.19.040(1) and (6)
3	The policy identifies all forms that make up the policy. The policy identifies all coverage limits.	RCW 48.18.140(2)(a) thru (f)
4	The policy must contain all endorsements and forms.	RCW 48.18.190
6	Personal Injury Protection forms issued by the company contain coverage definitions and limits that conform to Washington law.	RCW 48.22.095, RCW 48.22.005
7	Rates for commercial policies must be filed within 30 days of use.	RCW 48.19.043(2)

The following Rate and Form Filing Standard Failed:

#	RATE AND FORM STANDARD	REFERENCE
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use.	RCW 48.18.100(1)
5	Policy forms for commercial policies are filed within 30	RCW 48.18.103(2)

#	RATE AND FORM STANDARD	REFERENCE
	days of use.	

Standard #1: One (1) form used on three policies was considered “manuscript” forms by the Company. As the forms were used more than once, they were no longer manuscripts, and should have been filed. See Appendix 2 for detail.

Standard #5: Two (2) forms used on eighteen (18) policies were not filed within 30 days of use. See Appendix 2 for detail.

Subsequent event: Those policies that were in force with un-filed forms were corrected during the examination.

CANCELLATIONS AND NON-RENEWALS

The examiners reviewed files to determine if the Company was in compliance with state laws governing policy cancellation and non-renewal. The examiners selected a sample of 20 of the 37 policies that were either cancelled or non-renewed during the exam period.

Findings

The following Cancellation and Non-renewal Standard Passed without Comment:

#	CANCELLATION & NON-RENEWAL STANDARD	REFERENCE
1	The company does not cancel or refuse to renew policies because the agent is no longer affiliated with the company.	RCW 48.17.591

The following Cancellation and Non-renewal Standards Failed:

#	CANCELLATION & NON-RENEWAL STANDARD	REFERENCE
2	The company sends offers to renew or sends cancellation or non-renewal notices according to the requirements prior to policy termination.	RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292
3	The company includes the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured.	WAC 284-30-570

Standard #2: Four (4) insureds were sent notices that did not contain enough information to determine if a renewal offer was being made by the Company or if the Company was non-renewing the policy. See Appendix 3 for detail.

Standard #3: Seven (7) insureds were sent notices that did not give a clear or complete reason for the Company’s non-renewal action. See Appendix 3 for detail.

Subsequent event: The Company provided the examiners samples of the revised template for the non-renewal notice.

CLAIM SETTLEMENT PRACTICES

The examiners reviewed all 63 of the claims that were closed during the exam period.

Files were reviewed for:

- Compliance with Washington law
- Timeliness of contact with claimants
- Promptness of payments
- Explanation of applicable coverage
- Procedures for establishing actual cash value of total loss vehicles
- Documentation of claim files

The claims for Washington policyholders are handled from the Company's office in Vancouver, British Columbia.

Findings:

The following Claims Settlement Standards Passed Without Comment

#	CLAIMS SETTLEMENT STANDARD	REFERENCE
3	The company provides an explanation of all pertinent coverage to first party claimants.	WAC 284-30-350
7	The company settles automobile claims in accordance with standards established for prompt, fair and equitable claim settlements.	WAC 284-30-390, WAC 284-30-3901 through 3916
8	The company complies with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits.	WAC 284-30-395(1)
9	The company surrenders titles for total loss vehicles to the Department of Licensing or provides other authorized documentation as required.	RCW 46.12.070, WAC 308-56A-460

The following Claims Settlement Standard Passed With Comment

#	CLAIMS SETTLEMENT STANDARD	REFERENCE
1	The company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act.	WAC 284-30-330
2	Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file.	WAC 284-30-340
4	The company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed and promptly provides reasonable assistance, forms and instruction to	WAC 284-30-360(1), (3), and (4)

#	CLAIMS SETTLEMENT STANDARD	REFERENCE
	first party claimants.	
5	The company complies with requirements for prompt investigation of claims.	WAC 284-30-370
6	The company accepts or denies coverage within 15 days after receiving proof of claim.	WAC 284-30-380

Standard #1:

The Company writes niche markets for insureds that are knowledgeable about their policy coverage and the claims process. These policies usually are written as a single coverage such as cargo or are large property coverage policies (including policies which only cover a layer of the total exposure), or a yacht charter program that provides hull coverage for individually owned yachts offered for charter. In reviewing claims, the examiners found that settlement checks were not accompanied by written statements showing the coverage under which the claim was paid. It was clear from the file documentation that insureds either received this information verbally from the adjuster or knew the applicable coverage when the claim was submitted. Checks for property claims are usually delivered in person by the independent adjuster who reviewed the settlement figures and assisted the insured in completing a Proof of Loss form. When the examiners raised concerns about this process, the Company agreed to add coverage information to the check detail. See Appendix 4 for detail.

Subsequent event: The Company has changed its programming for check printing to include coverage information to be printed on settlement checks, along with providing training for the claims staff on the requirements of the regulations.

Standard #2: One file did not contain sufficient log notes to reconstruct the file. See Appendix 4 for detail.

Standard #4: Two files contained delays in contacting the insured or failure to supply the insured requested information. See Appendix 4 for detail.

Standard #5: Claim handling and payment were delayed because the policy was not issued promptly by the company. There was no indication that efforts were made by the claim handler to solve the coverage issues. See Appendix 4 for detail.

Standard #6: Claim payment was delayed without explanation for approximately four weeks. See Appendix 4 for detail.

SUMMARY OF STANDARDS

Company Operations and Management:

#	STANDARD	PAGE	PASS	FAIL
1	The company is required to be registered with the OIC prior to acting as an insurance company in the State of Washington. (RCW 48.05.030(1))	7	X	
2	The company is required to file with the OIC any amendments to the Articles of Incorporation for domestic insurers or insurance holding companies. (RCW 48.07.070)	7	X	

General Examination:

#	STANDARD	PAGE	PASS	FAIL
1	All requested information was made available to the examiners, and the company otherwise facilitated the examination in a timely manner. (RCW 48.03.030(1))	7	X	
2	The company does business in its own legal name. (RCW 48.05.190(1), Bulletin 78-7, Technical Assistance Advisory T 2000-06)	8		X
3	The company maintains full and accurate records and accounts. (RCW 48.05.280)	7	X	
4	The company filed an antifraud plan with the OIC. (RCW 48.30A.045 and RCW 48.30A.060)	7	X	

Advertising:

#	STANDARD	PAGE	PASS	FAIL
1	The company's advertising materials do not contain any false, deceptive or misleading representations. (RCW 48.30.040)		N/A	
2	The company does not use quotations or evaluations from rating services or other sources in a manner that appears to be deceptive to the public. (WAC 284-30-660)		N/A	
3	The company must use its full name and include the location of its home office or principle office in all advertisements. (RCW 48.30.050, Bulletin 78-7, Technical Assistance Advisory T 2000-06)		N/A	
4	The company referencing its financial condition in advertisements is required to show the actual financial condition as it corresponds with the financial statements published by each company, and must include only those assets actually owned and possessed by each company exclusively. (RCW 48.30.070)		N/A	
5	The company does not advertise the existence of the		N/A	

#	STANDARD	PAGE	PASS	FAIL
	Washington Insurance Guaranty Association. (RCW 48.30.075)			
6	The company does not include any statements in its advertising material that would appear to defame the name of other insurers. (RCW 48.30.080)		N/A	
7	The company does not misrepresent the terms of its policies in any form during the advertising and solicitation of its products. (RCW 48.30.090)		N/A	
8	The company does not offer, promise, allow, give, set off, or pay to the insured or to any employee of the insured any rebate, discount, abatement or reduction of premium or any part of these as an inducement to purchase or renew insurance unless specifically exempted from this statute. (RCW 48.30.140, RCW 48.30.150)		N/A	

Agent Activities:

#	STANDARD	PAGE	PASS	FAIL
1	The company must ensure that agents or brokers are licensed for the appropriate line of business with the State of Washington prior to allowing agents to solicit business or represent the company in any way. (RCW 48.17.060(1)(2))	8	X	
2	The company must require that agents are appointed to represent the company prior to allowing agents to solicit business on behalf of the company. (RCW 48.17.160 (1)d (2)), WAC 284-17-420.	8	X	
3	The company must notify the OIC when an agent's appointment has is revoked. (RCW 48.17.160(3))	8	X	
4	The company must give an agency with a written agency contract at least 120 days notice of its intent to terminate the contract. (RCW 48.17.591(2))	8	X	

Complaints:

#	STANDARD	PAGE	PASS	FAIL
1	Response to communication from the OIC must be within 15 business days of receipt of the correspondence. The response must contain the substantial information requested in the original communication. (WAC 284-30-650, WAC 284-30-360(2), Technical Assistance Advisory T 98-4)	9	X	

Underwriting and Rating

#	STANDARD	PAGE	PASS	FAIL
1	Binders issued to temporarily secure coverage during underwriting are valid until the policy is issued or ninety days, whichever is shorter and shall identify the company providing the coverage and effective dates. (RCW 48.18.230(1), WAC 284-30-560)	9	X	
2	The company requires an insured to reject or request lower limits for underinsured motorist (UIM) coverage in writing. RCW 48.22.030(3) and (4)	9	X	
3	The company requires an insured to reject Personal Injury Protection (PIP) coverage in writing. (RCW 48.22.085(2))	9	X	
4	During underwriting, the company uses only the personal driving record for personal insurance and only the commercial motor vehicle employment driving record for commercial insurance. (RCW 46.52.130, RCW 48.30.310, Bulletin 79-3, WAC 308-104-145)	9	X	
5	The company applies schedule rating plans to all policies as applicable in its filing and retains documentation and analysis to support the company's decision. (WAC 284-24-100)	10	X	
6	The company retains all documentation related to the development and use of (a) rates. (WAC 284-24-070)	10	X	
7	The company may not rely solely on the decision of another insurer's denial, cancellation, or non-renewal of insurance to support a denial or termination of coverage. (WAC 284-30-574)	10	X	
8	Binders must identify the insurer which is bound by the form. (WAC 284-30-560(2)(a))	10	X	
9	Pursuant to WAC 284-24A-065 an insurer when using credit scoring to underwrite may not use (3) the number of credit inquiries, (4) collections identified with medical industry code, (5) the purchase of a new vehicle or home (exceptions) or (6) may not use total available line of credit to set rate or deny coverage. Effective 06-30-03		N/A	
10	(1) The insurer filed the credit scoring model by January 1, 2003. (2) Related rates, risk classification plans, rating factors and rating plans were filed and approved by June 30, 2003 (WAC 284-24-A-015)		N/A	

Rate and Form Filings:

#	STANDARD	PAGE	PASS	FAIL
1	Policy forms and applications, where required, have been filed with and approved by the OIC prior to use. (RCW 48.18.100)	10		X
2	Where required, the company has filed with the OIC classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and rating rules prior to use, and does not issue any policies that are not in accord with the filing in effect. (RCW 48.19.040 (1) and (6))	10	X	
3	The policy identifies all forms that make up the policy. The policy identifies all coverage limits. (RCW 48.18.140(2)(a) thru (f))	10	X	
4	The policy must contain all endorsements and forms. (RCW 48.18.190)	10	X	
5	Policy forms for commercial policies are filed within 30 days of use. (RCW 48.18.103(2))	11		X
6	Personal Injury Protection forms issued by the company contain coverage definitions and limits that conform to Washington law. (RCW 48.22.095, RCW 48.22.005)	10	X	
7	Rates for commercial policies must be filed within 30 days of use. (RCW 48.19.043(2))	10	X	

Cancellations and Non-Renewals:

#	STANDARD	PAGE	PASS	FAIL
1	The company does not cancel or refuse to renew policies because the agent is no longer affiliated with the company. (RCW 48.17.591)	11	X	
2	The company sends offers to renew or sends cancellation or non-renewal notices according to the requirements prior to policy termination. (RCW 48.18.290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292)	11		X
3	The company includes the actual reason for canceling, denying or refusing to renew an insurance policy when notifying the insured. (WAC 284-30-570)	11		X

Claims:

#	STANDARD	PAGE	PASS	FAIL
1	The company settles claims in a manner that is not in conflict with any section of the Unfair Claims Settlement Act. (WAC 284-30-330)	12	X	
2	Company claim files contain detailed log notes and work papers that allow reconstruction of the claim file. (WAC 284-30-340)	12	X	

#	STANDARD	PAGE	PASS	FAIL
3	The company provides an explanation of all pertinent coverage to first party claimants. (WAC 284-30-350)	12	X	
4	The company acknowledges receipt of a claim within 10 days, and responds to all communication on a claim file within the time frames prescribed. (WAC 284-30-360(1) and (3))	12	X	
5	The company complies with requirements for prompt investigation of claims. (WAC 284-30-370)	13	X	
6	The company accepts or denies coverage within 15 days after receiving proof of claim. (WAC 284-30-380)	13	X	
7	The company settles automobile claims in accordance with standards established for prompt, fair and equitable claim settlements. (WAC 284-30-390)	12	X	
8	The company complies with the regulation regarding notification of PIP benefits, limitations, termination, or denial of benefits. (WAC 284-30-395)	12	X	
9	The company surrenders titles for total loss vehicles to the Department of Licensing or provides other authorized documentation as required. (RCW 46.12.070, WAC 308-56A-460)	12	X	

INSTRUCTIONS AND RECOMMENDATIONS

INSTRUCTIONS

1.	The Company is instructed to comply with RCW 48.05.190(1) and ensure that all documents and correspondence identify the Company by its full legal name.	Page 8
2.	The Company is instructed to comply with RCW 48.18.100(1) and use only those forms that are unique as manuscript forms. If the form is not unique it must be filed as required by RCW 48.18.103.	Page 10
3.	The Company is instructed to comply with RCW 48.18.103 and ensure that all forms are filed for approval with the OIC within 30 days of use. The Company is further instructed to remove disapproved forms from policies.	Page 11
4.	The Company is instructed to comply with RCW 48.18. 290, RCW 48.18.2901, RCW 48.18.291, RCW 48.18.292 and establish notices of non-renewal or renewal that clearly state the Company's intent.	Page 11
5.	The Company is instructed to comply with WAC 284-30-570 to ensure that all notices of cancellation or non-renewal contain complete and accurate reasons for the Company's action.	Page 11

RECOMMENDATIONS

1.	The examiners recommend that the Company conduct a training session specifically targeted at state regulations and compliance.
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APPENDIX 1

General Examination Standard #2

Claim number	Comments
CIA 69220	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69846	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70210	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 71160	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70771	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70890	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 66128	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69038	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69858	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69154	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 68650	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70988	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70993	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70998	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70997	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70884A	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70838	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70698	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70837	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 71060	Correspondence or Proof of Loss did not identify the Company by its full legal name.

Claim number	Comments
CIA 69810	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69283	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69388	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69112	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70107	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 69984	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70438	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70721	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70140	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 71098	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 70464	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CIA 71288	Correspondence or Proof of Loss did not identify the Company by its full legal name.
CICA 2061	Thirty-two " <i>Evidence of Property Insurance</i> " forms did not identify the insuring company.

APPENDIX 2

Rate and Form Filing Standard #1

Policy Number	Comments
CICA 1851	The Company considered the form Functional Replacement Cost a manuscript form even though it was used multiple policies.
CICA 1812	The Company considered the form Functional Replacement Cost a manuscript form even though it was used multiple policies.
CICA 1796	The Company considered the form "Functional Replacement Cost" a manuscript form and used it on multiple policies.

Rate and Form Filing Standard #5

Policy Number	Comments
CICA 1971	Using manuscript type on more than one policy for Functional Replacement Cost. The form should have been filed for approval within 30 days of use.
CICA 1812	Using manuscript type on more than one policy for Functional Replacement Cost. The form should have been filed for approval within 30 days of use.
CICA 1796	Using manuscript type on more than one policy for Functional Replacement Cost. The form should have been filed for approval within 30 days of use.
CICA 1778WADIC1102, CICA 1778-1111, CICA 1778-1109, CICA 1778-1050, CICA 1778-1052, CICA 1778-1177, CICA 1778-1180, CICA 1778-1181	Terrorist Exclusion Form 0203/CICA/3038 was disapproved by the OIC. The Company failed to replace the disapproved form on the policies listed with the form that had been approved.
CICA 1778 WADIC 1166, CICA 1778 WADIC 112, CICA 1778-1140, CICA 1778-1111, CICA 1778-1109, CICA 1778-1050, CICA 1778-1052, CICA 1778-1177, CICA 1778-1180, CICA 1778-1181	Bacteria, Fungi, and Virus form (0209/WA/281) was not filed and approved for use within 30 days of use on policies.

APPENDIX 3

Cancellation & Non-Renewal Standard #2

Policy Number	Comments
CICA 1889	The company used a letter to advise insureds that the policy might be renewed with an increase in premium or might be non-renewed if the company did not receive updated underwriting information. This letter did not satisfy the requirements of RCW 48.18.2901.
CICA 1851	The company used a letter to advise insureds that the policy might be renewed with an increase in premium or might be non-renewed if the company did not receive updated underwriting information. This letter did not satisfy the requirements of RCW 48.18.2901.
CICA 18055	The company used a letter to advise insureds that the policy might be renewed with an increase in premium or might be non-renewed if the company did not receive updated underwriting information. This letter did not satisfy the requirements of RCW 48.18.2901.
CICA1658-1020	The company used a letter to advise insureds that the policy might be renewed with an increase in premium or might be non-renewed if the company did not receive updated underwriting information. This letter did not satisfy the requirements of RCW 48.18.2901.

Cancellation & Non-Renewal Standard #3

Policy Number	Comments
CICA 1889	The company did not give the insured the true and actual reason for the company's action. The letter sent by the company was actually a warning that the policy might be non-renewed if updated underwriting information was not received. The letter did not comply with the requirements of WAC 284-30-570.
CICA 1851	The company did not give the insured the true and actual reason for the company's action. The letter sent by the company was actually a warning that the policy might be non-renewed if updated underwriting information was not received. The letter did not comply with the requirements of WAC 284-30-570.
CICA 1805	The company did not give the insured the true and actual reason for the company's action. The letter sent by the company was actually a warning that the policy might be non-renewed if updated underwriting information was not received. The letter did not comply with the requirements of WAC 284-30-570.
CICA 1876	The company did not give the insured the true and actual reason for the company's action. The letter sent by the company was

Policy Number	Comments
	actually a warning that the policy might be non-renewed if updated underwriting information was not received. The letter did not comply with the requirements of WAC 284-30-570.
CICA 1750	The company did not give the insured the true and actual reason for the company's action. The letter sent by the company was actually a warning that the policy might be non-renewed if updated underwriting information was not received. The letter did not comply with the requirements of WAC 284-30-570.
CICA 1658-1054	The company's non- renewal notice stated the insured "no longer fits the terms and conditions of this program." There was no additional information to explain to the insured what had changed or why the company no longer found the insured an acceptable risk.
CICA 1658-1020	The company did not give the insured the true and actual reason for the company's action. The letter sent by the company was actually a warning that the policy might be non-renewed if updated underwriting information was not received. The letter did not comply with the requirements of WAC 284-30-570.

APPENDIX 4

Claims Settlement Standard #1

Claim Number	Comments
CIA 71160	Payment was not accompanied with a statement showing the coverage under which the payment was made.
CIA 69112	Payment was not accompanied with a statement showing the coverage under which the payment was made. Insured is a yacht leasing company with multiple claims every year.
CIA 70998	Payment was not accompanied with a statement showing the coverage under which the payment was made.
CIA 69810	Payment was not accompanied by a statement showing the coverage under which the payment was made
CIA 69283	Payment was not accompanied by a statement showing the coverage under which the payment was made
CIA 70107, CIA 69388, CIA 70997, CIA 70838, CIA 70698, CIA 70837, CIA 71060, CIA 71098, CIA 70464, CIA 71288	Payment was not accompanied by a statement showing the coverage under which the payment was made. Insured is a yacht chartering service with extensive knowledge of their policy and available coverage. Each claim is for damage to a different boat.

Claims Settlement Standard #2

Claim Number	Comments
CIA 69388	Claim notes did not document fully document coverage issues, and decisions regarding the claim handling.

Claims Settlement Standard #4

Claim Number	Comments
CIA 69846	Company refused to provide a copy of the appraisal and independent's report.
CIA 70993	Company failed to contact the insured within the 10 day time frame.

Claims Settlement Standard #5

Claim Number	Comments
CIA 70998	Claim handling and payment delayed because the policy was not issued promptly.

Claims Settlement Standard #6

Claim Number	Comments
CIA 700837	Claim payment delayed approximately 4 weeks.



**Commonwealth Insurance Company
of America**

RECEIVED

JAN 19 2005

**INSURANCE COMMISSIONER
SEATTLE**

January 17, 2005

James T. Odiome
Deputy Commissioner
Office of Insurance Commissioner
State of Washington
P.O. Box 40255
Olympia, WA, 98504-0255

Dear Mr. Odiome:

Thank you for the draft report of the market conduct examination recently performed by your office of Commonwealth Insurance Company of America (CICA). We would like to express our appreciation for the courtesy shown by the examiners to us during the examination. This was the first examination of CICA, and we appreciate the examiners' helpfulness and willingness to share their knowledge with us.

We feel the report is a fair one, and we acknowledge that the performance of CICA did not meet several of the standards required. We would, however, request your reconsideration as a violation the following item that was included in the report.

Appendix 1 regarding General Examination Standard #2 lists 32 claims files wherein the company did not do business in its own legal name. In each of these instances we corresponded under the name of the parent company, Commonwealth Insurance Company, rather than Commonwealth Insurance Company of America. We feel that because these two names are so similar that no consumer harm was done by this oversight.

We look forward to hearing from your office in this matter.

Yours very truly,

COMMONWEALTH INSURANCE COMPANY OF AMERICA


Ted Hunter
Executive Vice President
Commonwealth Insurance Company of America

Cc: Leslie A. Krier, Chief Market Conduct Examiner

1700 Seventh Avenue Suite 1850 Seattle WA 98101-1397 Telephone: 206 382 6670 Fax: 206 382 6669

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